

TOWN OF CAMPBELLTON
ANNUAL FINANCIAL REPORT
SEPTEMBER 30, 2010

TOWN OF CAMPBELLTON, FLORIDA

MAYOR

Aggie Curry

COUNCIL MEMBERS

Wanda Moore
Debra Lane
Danny Taylor
Ronnie Griffin
Alex McKinnie

CITY CLERK

Brenda Griffin

AUDITORS

Grimsley, Cavin & Company, P.A.
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

DALE L. CAVIN, C.P.A.

DONNA F. ROGERS, C.P.A.

INDEPENDENT AUDITOR'S REPORT

MEMBERS
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Town Council Members
Town of Campbellton
Campbellton, Florida 32426

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Campbellton, Florida, as of and for the year ended September 30, 2010, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town of Campbellton, Florida's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Campbellton, Florida, as of September 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2011, on our consideration of the Town of Campbellton, Florida's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town of Campbellton, Florida, has not presented the management discussion and analysis that accounting principles generally accepted in the United States of America require to supplement, although not required to be part of the basic financial statements.

Grimsley, Cavin & Company

December 28, 2011

Grimsley, Cavin & Company, P.A.
Certified Public Accountants

FINANCIAL STATEMENTS

Town of Campbellton, Florida
Statement of Net Assets
September 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Cash Equivalents	\$ 110,848	\$ 40,785	\$ 151,633
Restricted Assets	3,956	18,950	22,906
Accounts Receivable	-	5,426	5,426
Due from other Governments	11,611	-	11,611
Internal Balances	84,023	(84,023)	-
Prepaid Expenses	3,450	-	3,450
Capital Assets:			
Land, Improvements, and Construction In Progress	108,002	-	108,002
Other Capital Assets, Net of Depreciation	1,986,908	763,918	2,750,826
Total Capital Assets	2,094,910	763,918	2,858,828
Total Assets	2,308,798	745,056	3,053,854
LIABILITIES			
Accounts Payable and Accrued Expenses	32,284	3,178	35,462
Long Term Liabilities:			
Due within one year	2,239	8,418	10,657
Due in more than one year	15,578	122,581	138,159
Total Liabilities	50,101	134,177	184,278
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	2,077,093	632,919	2,710,012
Restricted for:			
Debt Service	3,956	18,950	22,906
Unrestricted (deficit)	177,648	(40,990)	136,658
Total Net Assets	\$ 2,258,697	\$ 610,879	\$ 2,869,576

The notes to the financial statements are an integral part of this statement.

Town of Campbellton, Florida
Statement of Activities
For the Year Ended September 30, 2010

Functions/Programs	Expenses		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
			Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total
Governmental Activities:								
General Government	\$ 103,440	\$ 11,978	\$ 2,884	\$ -	\$ -	\$ (88,578)	\$ -	\$ (88,578)
Public Safety	86,848	56,100	15,098	-	-	(15,650)	-	(15,650)
Physical Environment	7,360	-	-	-	-	(7,360)	-	(7,360)
Transportation	28,751	-	20,164	1,064,905	-	1,056,318	-	1,056,318
Culture/Recreation	28,850	-	3,629	-	-	(25,221)	-	(25,221)
Interest on long-term debt	1,330	-	-	-	-	(1,330)	-	(1,330)
Total governmental activities	256,579	68,078	41,775	1,064,905	1,064,905	918,179		918,179
Business-type Activities:								
Water	72,698	30,148	-	-	-	-	(42,550)	(42,550)
Cable	9,191	2,475	-	-	-	-	(6,716)	(6,716)
Total primary government	\$ 338,468	\$ 100,701	\$ 41,775	\$ 1,064,905	\$ 1,064,905	918,179	(49,266)	868,913
General Revenues:								
Taxes:								
Property taxes, levied for general purposes						15,688	-	15,688
Taxes - Other						34,609	-	34,609
Miscellaneous						42,132	1,321	43,453
Transfers						(9,386)	9,386	-
Total General Revenues and Transfers						83,043	10,707	93,750
Change in Net Assets						1,001,222	(38,559)	962,663
Net Assets - beginning						1,257,475	649,438	1,906,913
Net Assets - ending						\$ 2,258,697	\$ 610,879	\$ 2,869,576

The notes to the financial statements are an integral part of this statement

Town of Campbellton, Florida
Balance Sheet
Governmental Funds
September 30, 2010

	<u>General Fund</u>	<u>Other</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash	\$ 109,700	\$ 1,148	\$ 110,848
Restricted Assets	3,956	-	\$ 3,956
Due from other Governments	11,611	-	11,611
Due from other Funds	120,526	-	120,526
Prepaid Expenses	3,450	-	3,450
Total Assets	<u>\$ 249,243</u>	<u>\$ 1,148</u>	<u>\$ 250,391</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 17,978	\$ 14,306	\$ 32,284
Due to other Funds	<u>36,503</u>	<u>-</u>	<u>36,503</u>
Total Liabilities	<u>54,481</u>	<u>14,306</u>	<u>68,787</u>
 Fund Balances:			
Reserved For:			
Debt Service	3,956	-	3,956
Unreserved, reported in:			
Red Light Camera Fund		(13,158)	(13,158)
General Fund	<u>190,806</u>	<u>-</u>	<u>190,806</u>
Total Fund Balances	<u>194,762</u>	<u>(13,158)</u>	<u>181,604</u>
Total Liabilities & Fund Balances	<u>\$ 249,243</u>	<u>\$ 1,148</u>	

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	2,094,910
Some liabilities, including notes payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(17,817)</u>
Total net assets of governmental activities	<u>\$ 2,258,697</u>

The notes to the financial statements are an integral part of this statement.

Town of Campbellton
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2010

	<u>General Fund</u>	<u>Other</u>	<u>Total Governmental Funds</u>
REVENUES			
Taxes	\$ 50,297	\$ -	\$ 50,297
Permits, Fees & Licenses	11,978	-	11,978
Intergovernmental Revenues	432,745	-	432,745
Charges for Services	23,793	-	23,793
Fines & Forfeitures	54,952	1,148	56,100
Investment Income	1,830	-	1,830
Miscellaneous Revenues	17,343	-	17,343
Total Revenues	592,938	1,148	594,086
EXPENDITURES			
Current:			
General Government	101,050	-	101,050
Public Safety	65,795	14,306	80,101
Physical Environment	7,360	-	7,360
Transportation	12,395	-	12,395
Culture/Recreation	13,208	-	13,208
Debt Service:			
Principal	62,306	-	62,306
Interest	1,330	-	1,330
Capital Outlay	352,797	-	352,797
Total Expenditures	616,241	14,306	630,547
Excess (deficiency) of revenues over expenditures	(23,303)	(13,158)	(36,461)
OTHER FINANCING SOURCES (USES)			
Transfers Out	(9,386)	-	(9,386)
Debt issued	56,874	-	56,874
Total Other Financing Sources (Uses)	47,488	-	47,488
Net Change in Fund Balances	24,185	(13,158)	11,027
Fund Balances - beginning	170,577	-	170,577
Fund Balances - ending	\$ 194,762	\$ (13,158)	\$ 181,604

The notes to the financial statements are an integral part of this statement.

Town of Campbellton, Florida
 Reconciliation of the Statement of Revenues,
 Expenditures, and Changes in Fund Balances of Governmental Funds
 To the Statement of Activities
 For the Year Ending September 30, 2010

Net change in fund balances - total governmental funds	\$ 11,027
Amounts reported for governmental activities in the Statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays \$352,797 exceeded depreciation \$41,134 in the current period.	311,663
Debt proceeds provide current financial resources to governmental funds, but issuing debt increase long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which payments exceeded proceeds.	5,432
Donated capital assets are reported in the statement of activities as intergovernmental revenue and is not accounted for in the governmental funds. This is the amount by which capital assets increased in the current period.	<u>673,100</u>
Change in net assets of governmental activities	<u>\$ 1,001,222</u>

The notes to the financial statements are an integral part of this statement.

Town of Campbellton, Florida
Statement of Net Assets – Proprietary Funds
September 30, 2010

	<u>Water</u>	<u>Other</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 40,190	\$ 595	\$ 40,785
Accounts Receivable	3,020	2,406	5,426
Due from other funds	21,850	14,653	36,503
Total Current Assets	65,060	17,654	82,714
Noncurrent Assets:			
Cash and Cash Equivalents	18,950	-	18,950
Capital Assets:			
Waterworks System	1,156,870	-	1,156,870
Machinery and Equipment	14,099	25,000	39,099
Less Accumulated Depreciation	(427,155)	(4,896)	(432,051)
Total Capital Assets	743,814	20,104	763,918
Total Noncurrent Assets	762,764	20,104	782,868
Total Assets	827,824	37,758	865,582
LIABILITIES			
Current Liabilities:			
Accounts Payable	959	2,219	3,178
Note Payable due within one year	3,418	5,000	8,418
Due to other funds	58,790	61,736	120,526
Total Current Liabilities	63,167	68,955	132,122
Noncurrent Liabilities:			
Notes Payable due after One Year	122,581	-	122,581
Total Noncurrent Liabilities	122,581	-	122,581
Total Liabilities	185,748	68,955	254,703
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	617,815	15,104	632,919
Restricted:			
Debt Service	18,950	-	18,950
Unrestricted	5,311	(46,301)	(40,990)
Total Net Assets	\$ 642,076	\$ (31,197)	\$ 610,879

The notes to the financial statements are an integral part of this statement.

Town of Campbellton, Florida
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year September 30, 2010

	<u>Water</u>	<u>Other</u>	<u>Total</u>
OPERATING REVENUES:			
Charges for Services	\$ 30,148	\$ 2,475	\$ 32,623
Total Operating Revenue	30,148	2,475	32,623
OPERATING EXPENSES:			
Personal services	8,400	-	8,400
Supplies and services	18,265	3,742	22,007
Utilities	2,921	4,199	7,120
Depreciation	38,827	1,250	40,077
Total Operating Expenditures	68,413	9,191	77,604
Operating Loss	(38,265)	(6,716)	(44,981)
Nonoperating Revenues (Expenses):			
Interest Income	1,314	7	1,321
Interest Expense	(4,285)	-	(4,285)
Total Nonoperating Revenue (Expenses)	(2,971)	7	(2,964)
Income (loss) before contributions and transfers	(41,236)	(6,709)	(47,945)
Transfers In	9,386	-	9,386
Change in Net Assets	(31,850)	(6,709)	(38,559)
Net Assets, beginning of year	673,926	(24,488)	649,438
Net Assets, end of year	\$ 642,076	\$ (31,197)	\$ 610,879

The notes to the financial statements are an integral part of this statement.

Town of Campbellton, Florida
Statement of Cash Flows – Proprietary Funds
For the Year September 30, 2010

	<u>Water</u>	<u>Cable</u>	<u>Total</u>
Cash Flows from Operating Activities:			
Receipts from Customers	\$ 30,358	\$ 2,185	\$ 32,543
Payments to Suppliers	(22,415)	(7,574)	(29,989)
Payments to Employees	<u>(8,400)</u>	<u>-</u>	<u>(8,400)</u>
Net Cash used in Operating Activities	<u>(457)</u>	<u>(5,389)</u>	<u>(5,846)</u>
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Capital Debt	(3,312)	(5,000)	(8,312)
Interest Paid on Capital Debt	<u>(4,285)</u>	<u>-</u>	<u>(4,285)</u>
Net Cash Provided by Capital and Related Financing Activities:	<u>(7,597)</u>	<u>(5,000)</u>	<u>(12,597)</u>
Cash Flows from Noncapital Financing Activities:			
Loans to other funds	(279)	10,241	
Transfers from other funds	<u>9,386</u>	<u>-</u>	<u>9,386</u>
Net Cash Provided by Noncapital Financing Activities:	<u>9,107</u>	<u>10,241</u>	<u>9,386</u>
Cash Flows from Investing Activities:			
Interest Income	<u>1,314</u>	<u>7</u>	<u>1,321</u>
Net Increase in Cash and Cash Equivalents	2,367	(141)	2,226
Cash and Cash Equivalents, beginning of year	<u>56,773</u>	<u>736</u>	<u>57,509</u>
Cash and Cash Equivalents, end of year	<u>\$ 59,140</u>	<u>\$ 595</u>	<u>\$ 59,735</u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:			
Operating Loss	\$ (38,265)	\$ (6,716)	\$ (44,981)
Adjustments to Reconcile Operating Loss to Net Cash Used in Operating Activities:			
Depreciation	38,827	1,250	40,077
Change in Assets and Liabilities:			
Accounts Receivable	210	(290)	(80)
Accounts Payable	<u>(1,229)</u>	<u>367</u>	<u>(862)</u>
Net Cash used in Operating Activities	<u>\$ (457)</u>	<u>\$ (5,389)</u>	<u>\$ (5,846)</u>

The notes to the financial statements are an integral part of this statement

NOTES TO FINANCIAL STATEMENTS

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

Introduction

The financial statements of the Town of Campbellton, Florida, are prepared in accordance with generally accepted accounting principles (GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

The accounting and reporting framework and the more significant accounting principles and practices are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the Town's financial activities for the fiscal year ended September 30, 2010.

Reporting Entity

The Town of Campbellton, Florida, (the Town) is located in northwest Florida in Jackson County. The Town operates under an elected Mayor and Town Council and serves approximately 500 residents. The Town provides a full range of municipal services, including fire protection, public works activities, parks and recreation, and general administrative services. In addition, the Town operates a water utility and a cable system.

Government-wide Financial Statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report financial information for the Town of Campbellton, Florida, as a whole excluding fiduciary activities. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund Financial Statements

Fund financial statements are provided for the governmental and proprietary funds. Non-major governmental funds are reported in separate columns.

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for debt principal and interest which are recorded as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

Fund Types and Major Funds

Governmental Funds

The Town reports the following major governmental funds:

General Fund – reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Proprietary Funds

The Town reports the following major proprietary funds:

Water – accounts for the revenues and expenses, capital assets and debt for the utility department of the Town.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personnel and contractual services, supplies and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES – Continued

Cash and Investments

Amounts shown as cash include cash in checking accounts, cash on hand, cash in savings accounts and certificates of deposits.

Restricted Assets

Restricted Assets consist of cash and investments, which are required by resolution to be set-aside for specific purposes and is therefore unavailable for general operating purposes.

Capital Assets and Depreciation

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, right of ways, stormwater system, sidewalks, and similar items), are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Property, plant and equipment with an initial, individual cost that exceeds \$5,000 and estimated useful lives of over one year are recorded as capital assets. Roads, bridges, and sidewalks are capitalized when their initial costs exceed \$25,000 and possess estimated useful lives of more than one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are not capitalized.

GASB Statement No. 34 requires the Town to report and depreciate new infrastructure assets effective October 1, 2003. These infrastructure assets are likely to be the largest assets class of the Town.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	20-50
Electrical, sewer, water and wastewater system	10-50
Equipment	5-20
Infrastructure	25

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES – Continued

Property Taxes

Under Florida Law, the assessment of all properties and the collection of all Town municipal and school board property taxes are consolidated in the offices of the Property Appraiser and Tax Collector. The laws of the state regulating tax assessment are also designed to assure a consistent property valuation method statewide. Florida Statutes permit municipalities to levy property taxes at a rate of up to 10 mills for general operations. The Town's millage rate for the year ended September 30, 2010 was 2.0 mills

All taxes are generally due and payable on November 1 of each year. Discounts are allowed of four, three, two and one percent for payments in November through February, respectively. Delinquent taxes at April 1, are converted, by the County, into Tax Certificates. Therefore, there are no significant taxes receivable at year end.

Long-Term Debt

In the government-wide financial statements, outstanding debt is reported as liabilities.

The governmental fund financial statements recognize the proceeds of debt as other financial sources of the current period.

Fund Equity

The governmental fund financial statements report reserved fund balance for amounts not available for appropriation or legally restricted for specified purposes.

Risk Management and Insurance

The Town insures itself against losses from casualty, accident and dishonesty by purchasing municipal insurance through a local insurance agency. The Town believes the level of insurance purchased is adequate to protect against material loss. No significant changes in coverage or claims have been made in the last year.

Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Budgets and Budgetary Accounting

The Town uses the following procedures in establishing the budgetary data reflected in the financial statements.

1. The Town adopts its budget in accordance with Chapter 166 and 200, Florida Statutes.
 - (a) The Town follows an internal hearing process to set the proposed tentative budget and millage.

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES – Continued

Budgets and Budgetary Accounting – Continued

- (b) Public hearings are then held to adopt both a tentative budget and millage, and a final budget and millage, in accordance with Chapters 166 and 200, Florida Statutes.
 - (c) Budget amendments are made in accordance with applicable Florida Statutes
2. Budgets are reported for the General Fund and Special Revenue Funds.
 3. All Budgets are adopted in accordance with Generally Accepted Accounting Principles.
 4. Florida Statutes do not require adoption of budgets for Debt Service Funds.
 5. Level of Control – Expenditures may not exceed appropriations and are controlled in the following manner:
 - (a) The budget is controlled according to Chapter 166, Florida Statutes, at the total fund level.
 - (b) Any budget amendments or transfer of funds must be approved by the Town.

Compensated Absences

The Town maintains a policy that permits employees to accumulate earned but unused vacation and sick pay benefits that will be paid to employees upon separation from Town services if certain criteria are met. These benefits, plus their related tax costs are classified as compensated absences. Employees may be paid for unused vacation hours accrued up to a maximum amount. Payment of unused sick leave, upon termination, is also provided for up to varying amounts.

At September 30, 2010, there was no sick or annual leave accrued that were significant to the financial statements.

NOTE 2 – CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

At year-end, the carrying amount of the Town's deposits was \$174,539 and the bank balance was \$176,352.

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2010

NOTE 2 – CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS - Continued

Custodial Credit

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits (in excess of FDIC insurance) may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of September 30, 2010 the town did not have any balances that were exposed to custodial credit risk.

Florida Statutes authorize the Town to invest in certificates of deposit, repurchase agreements and the State Treasurer's Investment Pool. In addition, the Statutes allow the Town to invest in bonds, notes or other obligations of the United States Government, certain bonds of any state or local government unit, and bonds issued by certain government agencies.

For the purpose of the statement of cash flows, the Town considers cash and cash equivalents to include cash and investments with an original maturity or three months or less.

NOTE 3 – RECEIVABLES

The Town reported receivables as follows:

GENERAL FUND	
Due from Other Governments	<u>\$ 11,611</u>
ENTERPRISE FUND - WATER SYSTEM	
Water Fees	<u>\$ 3,020</u>
ENTERPRISE FUND - CABLE	
Cable Fees	<u>\$ 2,406</u>

No allowances for uncollectible accounts are considered necessary.

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2010

NOTE 4 – INTERNAL BALANCES

At September 30, 2010, the City had interfund receivables and payables that resulted from various interfund transactions as follows:

	<u>Due From</u>	<u>Due To</u>	<u>Purpose</u>
General Fund			
Due from Water Fund	\$ 58,790	\$ -	Operations
Due from Cable Fund	61,736		- Operations
Due to Water Fund	-	21,850	Grant Funds for Water
Due to Cable Fund	-	14,653	Insurance for cable damage
Water & Sewer Fund			
Due to General Fund	-	58,790	Operations
Due from General Fund	21,850		- Grant Funds for Water
Cable Fund			
Due to General Fund	-	61,736	Operations
Due from General Fund	<u>14,653</u>	-	Insurance for cable damage
	<u>\$ 157,029</u>	<u>\$ 157,029</u>	

	<u>Transfer In</u>	<u>Transfer Out</u>	<u>Purpose</u>
General Fund			
Water Fund	\$ -	\$ 9,386	Operations
Water Fund			
General Fund	<u>9,386</u>	-	Operations
	<u>\$ 9,386</u>	<u>\$ 9,386</u>	

NOTE 5 – RESTRICTED ASSETS

The amounts recorded in the Business-type activity fund restricted for debt services associated to the payment of Enterprise fund notes payable.

Cash – Debt Service \$ 18,950

The amounts recorded in the Governmental-type activity fund restricted for debt services associated to the payment of Governmental fund notes payable.

Cash – Debt Service \$ 3,956

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2010

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ending September 30, 2010 was as follows:

	BEGINNING			ENDING
	<u>BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 108,002	\$ -	\$ -	\$ 108,002
Construction in Process	<u>347,124</u>	<u>-</u>	<u>347,124</u>	<u>-</u>
Total capital assets not being depreciated:	<u>455,126</u>	<u>-</u>	<u>347,124</u>	<u>108,002</u>
Capital assets, being depreciated:				
Buildings	387,438	-	-	387,438
Improvements other than buildings	263,381	400,315	-	663,696
Roads and streets	-	972,706	-	972,706
Equipment	<u>176,379</u>	<u>-</u>	<u>-</u>	<u>176,379</u>
Total capital assets being depreciated:	<u>827,198</u>	<u>1,373,021</u>	<u>-</u>	<u>2,200,219</u>
Less: accumulated depreciation for:				
Buildings	(109,843)	(8,093)	-	(117,936)
Improvements other than buildings	(22,796)	(9,938)	-	(32,734)
Roads and streets	-	(13,962)	-	(13,962)
Equipment	<u>(39,538)</u>	<u>(9,141)</u>	<u>-</u>	<u>(48,679)</u>
Total Accumulated Depreciation	<u>(172,177)</u>	<u>(41,134)</u>	<u>-</u>	<u>(213,311)</u>
Total capital assets being depreciated, net	<u>655,021</u>	<u>1,331,887</u>	<u>-</u>	<u>1,986,908</u>
Governmental activities capital assets, net	<u>\$ 1,110,147</u>	<u>\$ 1,331,887</u>	<u>\$ 347,124</u>	<u>\$ 2,094,910</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 2,390
Public safety	6,746
Transportation	16,356
Culture and recreation	<u>15,642</u>
Total governmental depreciation expense	<u>\$ 41,134</u>

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2010

NOTE 6 – CAPITAL ASSETS – Continued

	<u>BEGINNING</u> <u>BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING</u> <u>BALANCE</u>
Business-type activities:				
Capital assets, not being depreciated:				
Construction in process	\$ 23,175	\$ -	\$ 23,175	\$ -
Capital assets, being depreciated:				
Buildings, Equipment & Utility System	1,001,350	169,620	-	1,170,970
Cable System	<u>25,000</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Total capital assets being depreciated:	<u>1,026,350</u>	<u>169,620</u>	<u>-</u>	<u>1,195,970</u>
Less: accumulated depreciation for:				
Buildings, Equipment & Utility System	(388,329)	(38,827)	-	(427,156)
Cable System	<u>(3,646)</u>	<u>(1,250)</u>	<u>-</u>	<u>(4,896)</u>
Total Accumulated Depreciation	<u>(391,975)</u>	<u>(40,077)</u>	<u>-</u>	<u>(432,052)</u>
Total capital assets being depreciated, net	<u>634,375</u>	<u>129,543</u>	<u>-</u>	<u>763,918</u>
Business-type activities capital assets, net	<u>\$ 657,550</u>	<u>\$ 129,543</u>	<u>\$ 23,175</u>	<u>\$ 763,918</u>

NOTE 7 - LONG TERM DEBT

Governmental Activities

Capital Improvement Revenue Bond

Authorized and issued \$24,000, interest at 4.25%, principal and interest payable annually on September 1, with payments beginning in 2008. Bonds were sold to U.S. Department of Agriculture, Rural Development

17,817

Total governmental activities

\$ 17,817

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2010

NOTE 7 - LONG TERM DEBT - Continued

Business-type activities

Revenue Bonds:

Water Bonds –2007A Series

Authorized and issued \$27,000 interest at 4.5%, principal and interest payable annually on September 1, with principal payments beginning in 2007, collateralized by net revenues of the system.

Bonds were sold to U.S. Department of Agriculture, Rural Development

\$ 25,827

Water Bonds –2007B Series

Authorized and issued \$12,900 interest at 4.5%, principal and interest payable annually on September 1, with principal payments beginning in 2007, collateralized by net revenues of the system.

Bonds were sold to U.S. Department of Agriculture, Rural Development

12,435

Total Revenue Bonds

\$ 38,262

Notes payable:

Water Fund

\$108,000, note payable to Florida DEP State Revolving Fund payable in semiannual installments of \$2,770, including interest at 2.99%.

\$ 87,737

Cable Fund

\$25,000 payable in yearly installments of \$5,000, no stated interest.

5,000

Total Notes payable

\$ 92,737

Total Business-Type Activities

\$ 130,999

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2010

NOTE 7 - LONG TERM DEBT – Continued

Debt Service requirements on the governmental activities long-term debt at September 30, 2010 are as follows:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2011	\$ 2,239	\$ 757	\$ 2,996
2012	2,334	662	2,996
2013	2,433	563	2,996
2014	2,536	460	2,996
2015	2,644	347	2,991
2016-2017	5,631	239	5,870
	<u>\$ 17,817</u>	<u>\$ 3,028</u>	<u>\$ 20,845</u>

The following is the debt service requirements for the business type activities revenue bond and notes payable at September 30, 2010:

<u>Due Date</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2011	\$ 8,418	\$ 4,180	\$ 12,598
2012	3,527	4,072	7,599
2013	3,638	3,960	7,598
2014	3,753	3,844	7,597
2015	3,873	3,725	7,598
2016-2020	21,290	16,701	37,991
2021-2025	24,902	13,091	37,993
2026-2030	29,133	8,857	37,990
2031-2035	14,552	4,720	19,272
2036-2040	7,167	3,127	10,294
2041-2045	8,771	1,522	10,293
2046-2050	1,975	82	2,057
	<u>\$ 130,999</u>	<u>\$ 67,881</u>	<u>\$ 198,880</u>

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2010

NOTE 7 - LONG TERM DEBT – Continued

Long-term debt activity for the year ended September 30, 2010, was as follows:

	BEGINNING			ENDING	DUE
	<u>BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>BALANCE</u>	<u>WITHIN</u>
					<u>ONE YEAR</u>
Governmental activities:					
Notes payable	3,285	-	3,285	-	-
Revenue bond	<u>19,964</u>	<u>-</u>	<u>2,147</u>	<u>17,817</u>	<u>2,239</u>
	<u>23,249</u>	<u>-</u>	<u>5,432</u>	<u>17,817</u>	<u>2,239</u>
Business-type activities:					
Revenue bonds	38,723	-	461	38,262	480
Notes Payable	<u>100,588</u>	<u>-</u>	<u>7,851</u>	<u>92,737</u>	<u>7,938</u>
	<u>139,311</u>	<u>-</u>	<u>8,312</u>	<u>130,999</u>	<u>8,418</u>
Total	<u><u>162,560</u></u>	<u><u>-</u></u>	<u><u>13,744</u></u>	<u><u>148,816</u></u>	<u><u>10,657</u></u>

NOTE 8 – WATER SYSTEM REVENUE BONDS

The Resolution No. 06-04 adopted August 8, 2006 and supplemented by Resolution No. 07-06, adopted June 12, 2007 requires the establishment of certain “trust funds” to ensure repayment of the Water System Revenue Bonds. A summary of these requirements is as follows:

- A. All cash income for the ownership and operation of the system shall be deposited into the “Revenue Fund” on or before the 15th day of each month. Transfers are to be made to certain accounts.
- B. The “Sinking Fund” is to be used exclusively for the purpose of paying principal and interest on the revenue bonds and is to be funded by transferring each month from the “Reserve Fund” one-twelfth of the next annual interest and principal requirement.
- C. Revenues shall be transferred into the “Bond Reserve Account” until the balance is equal to the Reserve Fund Requirement. The Reserve Fund Requirement does not exceed the lesser of 1) maximum annual debt service on the Bonds, 2) 125% of average annual debt service on the Bonds, or 3) 10% of the original principal amounts of the Bonds. The funds in this account shall be used only for paying the cost of repairing or replacing any damage to the system caused by an unforeseen catastrophe, construction improvements or extensions to increase net revenues, and paying principal and interest in the event that the Sinking Fund is insufficient to meet such payments.

Town of Campbellton, Florida
Notes to Financial Statements
September 30, 2010

NOTE 8 – WATER SYSTEM REVENUE BONDS – Continued

- D. The “Operation and Maintenance” Fund is to be used exclusively for the purpose of receiving funds transferred monthly from the revenue fund and for paying the current expenses of the system pursuant to the annual budget.

- E. Excess funds not required by the above accounts are to be transferred to a Redemption Account. This account is to be used to redeem the Bonds in inverse order or to acquire outstanding bonds subject to limitations.

NOTE 9 – CAPITAL IMPROVEMENT REVENUE BOND

Resolution No. 08-01 adopted September 13, 2007 requires the establishment of certain trust funds to ensure repayment of the Capital Improvement Revenue Bond. A summary of these requirements is as follows:

- A. All revenues received from the interlocal agreement (fire protection) with the Jackson County Board of County Commissioners shall be deposited promptly into the “Revenue Fund” when received.

- B. The Town shall establish a “Sinking Fund” and shall transfer on or before the 15th day of each month from the “Revenue Fund” the following amounts, in the following order:
 - 1. A sum equal to one-twelfth of the amount of on year’s interest on all the Bonds then outstanding.

 - 2. A sum equal to one-twelfth of the principal of the Bonds maturing on the next succeeding anniversary date.

 - 3. The sum of one-twelfth of one-tenth of the Maximum Bond Service Requirement shall be transferred into a “Reserve Account” established within the “Sinking Fund” until such time as the funds and investments therein shall equal the Maximum Bond Service Requirement, and monthly thereafter such amount as may be necessary to maintain the Maximum Bond Service Requirement in the Reserve Account, but not exceeding one-twelfth of one-tenth of the Maximum Bond Service Requirement monthly.

- C. The Town shall establish a “Redemption Account” and transfer on or before the 15th day of each month the balance of excess fund in the “Revenue Fund”.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information
Town of Campbellton, Florida
Budgetary Comparison Schedule – General Fund
For the Year Ending September 30, 2010

	Budgeted Amounts		Actual Amounts
	Original	Final	(GAAP Basis)
REVENUES			
Taxes	\$ 47,589	\$ 50,046	\$ 50,297
Permits, Fees & Licenses	12,125	21,038	11,978
Intergovernmental Revenues	291,205	513,229	432,745
Charges for Services	2,000	16,812	23,793
Fines & Forfeitures	85,500	57,283	54,952
Investment Income	125	1,830	1,830
Miscellaneous Revenues	16,200	18,401	17,343
Total Revenues	<u>454,744</u>	<u>678,639</u>	<u>592,938</u>
EXPENDITURES			
Current:			
General Government	103,232	101,977	101,050
Public Safety	72,500	58,174	65,795
Physical Environment	8,500	13,770	7,360
Transportation	122,500	18,500	12,395
Culture/Recreation	4,270	15,936	13,208
Debt Service:			
Principal	11,346	10,431	62,306
Interest	-	-	1,330
Capital Outlay	112,217	408,216	352,797
Total Expenditures	<u>434,565</u>	<u>627,004</u>	<u>616,241</u>
Excess (deficiency) of revenues over expenditures	<u>20,179</u>	<u>51,635</u>	<u>(23,303)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	35,324	-
Transfers Out	(4,179)	(40,265)	(9,386)
Debt issued	-	-	56,874
Total Other Financing Sources (Uses)	<u>(4,179)</u>	<u>(4,941)</u>	<u>47,488</u>
Net Change in Fund Balances	16,000	46,694	24,185
Fund Balances - beginning	170,577	170,577	170,577
Fund Balances - ending	<u>\$ 186,577</u>	<u>\$ 217,271</u>	<u>\$ 194,762</u>

Note: This schedule is prepared on the modified accrual basis of accounting.

The notes to the financial statements are an integral part of this statement.

INDEPENDENT AUDITOR'S REPORT
REQUIRED BY
GOVERNMENTAL AUDITING STANDARDS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

DALE L. CAVIN, C.P.A.

DONNA F. ROGERS, C.P.A.

MEMBERS
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Town Council Members
Town of Campbellton
Campbellton, Florida 32426

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Campbellton, Florida, as of and for the year ended September 30, 2010, which collectively comprise the Town of Campbellton, Florida's basic financial statements and have issued our report thereon dated December 28, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Campbellton, Florida's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Campbellton, Florida's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Campbellton, Florida's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will be prevented, or detected and correct on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as item 07-1 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings as items 04-1 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Campbellton, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 10-1.

We noted certain matters that we reported to management of the Town of Campbellton, Florida in a separate letter dated December 28, 2011

The Town of Campbellton, Florida's response to the findings identified in our audit is described in the management response section of this report. We did not audit the Town of Campbellton, Florida's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Town Council, others within the entity and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Grimsley, Cavin & Company

December 28, 2011

Grimsley, Cavin & Company, P.A.
Certified Public Accountant

SCHEDULE OF FINDINGS

Town of Campbellton
Schedule of Findings
Year Ended September 30, 2010

04-01

Criteria – Custody of assets, record keeping and recording of assets should have adequate separation.

Condition – Due to the size of the organization, proper separation of duties may not be feasible.

Effect – Internal controls lack proper checks and balances due to the size of the organization.

Cause – This is a small bookkeeping system.

Recommendation – Management should remain very active and involved in the day-to-day operations. Controls should be established to provide checks and balances.

07-1

Criteria – An entity's system of internal control over financial reporting should include controls over the prevention, detection and correction of misstatements in the audited financial statements.

Condition – The Town relies on the external auditor to assist with preparing and explaining financial statements in conformity with generally accepted accounting principles.

Effect – Since the auditor cannot be a part of an entity's system of internal accounting control, the Town's system of internal accounting control over the financial reporting is not sufficient to prevent, detect or correct misstatements in the audited financial statements.

Cause – The Town has a small accounting staff necessitated by the overall small size of the entity. They do not consider it cost effective to develop and maintain a system of internal accounting control sufficient by itself to allow the preparation of financial statements in accordance with generally accepted accounting principles, nor to maintain internal staff with sufficient knowledge to develop and maintain controls to prevent, detect or correct misstatements in audited financial statements.

Recommendation – The Town should continue to consider the effects of the cost of developing and benefits of implementing such a system as compared with understanding that due to the size of their accounting department, they will continue to need external assistance with the preparation and understanding of financial statements in accordance with generally accepted accounting principles.

Town of Campbellton
Schedule of Findings
Year Ended September 30, 2010

10-1

Criteria – The Town of Campbellton is required to deliver their audit reports to the Auditor General no later than the legal due date.

Condition – The Town did not file their audit report with the Auditor General within the legal due date.

Effect – The Town is in violation of Section 10.558(3), Rules of the Auditor General.

Cause – Due to extenuating circumstances affecting the bookkeeping, the records were not available in a timely manner.

Recommendation – The Town should file their audit report with the Auditor General no later than the legal due date.

INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT
REQUIRED BY THE STATE OF FLORIDA

GRIMSLEY, CAVIN & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

OWEN W. GRIMSLEY, C.P.A.

DALE L. CAVIN, C.P.A.

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MEMBERS
FLORIDA INSTITUTE AND
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT TO MANAGEMENT REQUIRED BY THE STATE OF FLORIDA

Honorable Mayor and Town Council Members
Town of Campbellton
Campbellton, Florida 32426

We have audited the financial statement of the Town of Campbellton, Florida, as of and for the fiscal year ended September 30, 2010, and have issued our report thereon dated December 28, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters and Schedule of Findings. Disclosures in those reports and schedule, which are dated December 28, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

- Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report except as noted below under the heading Prior Year Findings and Recommendations.
- Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Town of Campbellton, Florida, complied with Section 218.415, Florida Statutes.

- Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendation to improve financial management. See the items under the heading Prior and Current Year Findings for our recommendations.
- Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse, that have an effect on the financial statement that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) control deficiencies that are not significant deficiencies. See the items under the heading Prior and Current Year Findings for our recommendations.
- Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of any specific condition(s) met. In connection with our audit, we determined that the Town of Campbellton, Florida, did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- Section 10.554(1)(i) 7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Town of Campbellton, Florida, for the fiscal year ended September 30, 2010, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2010. In connection with our audit, we determined that these two reports were in agreement.
- Pursuant to Sections 10.554(1)(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Town of Campbellton, Florida's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Prior Year Findings

Cancellation of Invoices

It was noted that the Town does not cancel invoices after payment; it is recommended that all invoices be stamped "paid" in order to prevent duplicate payment of invoices. The Town is currently correcting this issue. This item remains.

Property Records and Inventory

The Town does not have a written policy regarding the recording and inventory of capital assets. The Town should adopt written requirements for the recording of property and periodic review of property for inventory purposes, per Florida Statutes, Chapter 274. The Town's listing of assets should include date purchased, original cost of asset, and whether it was purchased with grant funds. It should be noted generally accepted accounting principles require assets to be recorded at historical cost, not current replacement cost that is associated with insurance coverage. The Town is currently correcting this issue.

Water Reconciliation

It was noted during the audit the town does not have procedures in place to reconcile the monthly utility billings to the utility collections. It is recommended the town establish a procedure that would provide a reconciliation of the utility billings to utility collections to ensure proper recording of financial data. This item remains.

Current Year Findings

It was noted during the audit there were several items requested for audit purposes that the Town was unable to supply. Although we were able to obtain the grant information from the grant administrator, it is still the Town's responsibility to maintain their records in a manner that is satisfactory for audit purposes. In addition there were water reports that could not be located and could not be re-generated by the computer. Although we were able to satisfy ourselves by performing other procedures, the Town should have the reports available upon request. It is recommended written policies be established that would provide procedures to maintain a consistent flow of information for control purposes.

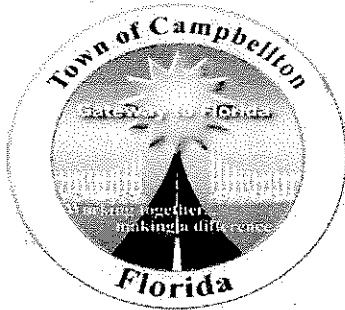
Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General, and is not intended to be and should not be used by anyone other than these specified parties.

Grimsley, Cavin & Company

December 28, 2011

Grimsley, Cavin & Company, P.A.
Certified Public Accountants

RESPONSE TO AUDIT FINDINGS



Town of Campbellton

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January 5, 2012

The Town of Campbellton recently hired an accountant as Town Clerk. The accountant is in the process of developing an internal accounting system that will bring the records into compliance with Generally Accepted Accounting Standards for Governmental Entities.

A new records management system is being developed that will facilitate all future audits and prevent delays in providing outside auditing firms with all requested documentation in a timely manner.

A Comparative Statement of Revenue, Expenditures and Encumbrances will be provided to each member of the Town Council at their regular monthly council meetings. All will be encouraged to question the statements and address any concerns.

While the town cannot afford to hire additional staff at this time, the long-term plan is to have a full-time receptionist that will open the mail and enter all deposits into the new electronic system. We currently have an outside agency that provides us with a part-time person who is being trained on the new system. The Town Clerk will log the daily entries into the accounting system. This will provide better control and help prevent errors. The water deposits will be updated and reconciled on a daily basis.

The new system will provide greater documentation for each payment and include a copy of the invoice, invoice number, etc. A separate file is being set up for each vendor that will provide an ongoing record of purchases. The payroll file has been upgraded to facilitate payroll expenses and payroll reports and includes sick leave, annual leave, and holiday pay.

The importance of maintaining public records and careful oversight of public monies is important to the Town of Campbellton. A diligent effort is being made to handle all issues in accordance with state standards.

Sincerely,

Connie Kelly
Town Clerk

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